

LOUISIANA QUARTERHORSE BREEDERS ASSOCIATION, INC.

VIDEO POKER TAX SUPPLEMENT FUND

ALEXANDRIA, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

AND

AUDITOR'S REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2013

**LOUISIANA QUARTERHORSE BREEDERS ASSOCIATION, INC.
VIDEO POKER TAX SUPPLEMENT FUND
ALEXANDRIA, LOUISIANA**

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Paul Dautat, CPA

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund
Alexandria, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the Video Poker Tax Supplement Fund of Louisiana Quarterhorse Breeders Association, Inc. (a non-profit, quasi-public organization) as of and for the year ended December 31, 2013, and the related notes to the financial statements. These financial statements collectively comprise the Video Poker Tax Supplement Fund's basic financial statements as listed in the table of contents.

As discussed in Note A, the financial statements present only the Video Poker Tax Supplement Fund of Louisiana Quarterhorse Breeders Association, Inc.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also involves evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Video Poker Tax Supplement Fund of Louisiana Quarterhorse Breeders Association, Inc. as of December 31, 2013 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 20, 2014 on my consideration of the Organization's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and agreements and other matters as it pertains to the Video Poker Tax Supplement Fund. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance of the Video Poker Tax Supplement Fund and should be read in conjunction with this report in considering the results of my audit.



Paul Dauzat
Certified Public Accountant
February 20, 2014

FINANCIAL STATEMENTS

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Statement of Financial Position
December 31, 2013**

ASSETS

Cash and cash equivalents	<u>\$ 104,950</u>
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NET ASSETS

Temporarily restricted	<u>\$ 104,950</u>
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See Accompanying Notes to Financial Statements

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Statement of Activities
For the Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
INCREASES IN NET ASSETS		
Video Poker Purse Supplements	\$ -	\$ 1,287,941
Dividends	<u>-</u>	<u>13</u>
Total Increases	<u>-</u>	<u>1,287,954</u>
Net Assets Released from Restrictions:		
Restrictions Satisfied by Payments	<u>1,278,449</u>	<u>(1,278,449)</u>
Increase (Decrease) in Net Assets	<u>1,278,449</u>	<u>9,505</u>
DECREASES IN NET ASSETS		
Program Services:		
Race Track Purse Supplements	<u>1,278,449</u>	<u>-</u>
Total Decreases	<u>1,278,449</u>	<u>-</u>
Changes in Net Assets	-	9,505
NET ASSETS- Beginning of Year	<u>-</u>	<u>95,445</u>
NET ASSETS- End of Year	<u>\$ -</u>	<u>\$ 104,950</u>

See Accompanying Notes to Financial Statements

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Statement of Cash Flows
For the Year Ended December 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	<u>\$ 9,505</u>
Net Cash Used by Operating Activities	9,505
CASH AND CASH EQUIVALENTS-Beginning of Year	<u>95,445</u>
CASH AND CASH EQUIVALENTS-End of Year	<u><u>\$ 104,950</u></u>

See Accompanying Notes to Financial Statements

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Notes to Financial Statements
For the Year Ended December 31, 2013**

NOTE A Nature Of Activities and Summary of Significant Accounting Policies

Presentation

The accompanying financial statements reflect financial position, results of operations and changes in net assets of the Video Poker Tax Supplement Fund only and do not include financial information of Louisiana Quarterhorse Breeders Association, Inc. taken as a whole. The members of Louisiana Quarterhorse Breeders Association, Inc. elect the board of directors of the Organization.

Nature of Activities

The Organization is a non-profit entity and is exempt from Federal income tax under section 501 © (5) of the Internal Revenue Code.

Louisiana State Act No. 627, Senate Bill 1169 of 1995 provides for allocation of quarter-horse purse supplements awarded from the Video Draw Poker Device Purse Supplement Fund. One-third of the funds appropriated to the commission pursuant to the act are allocated and provided to Louisiana Quarterhorse Breeders Association to be used to supplement purses for Louisiana bred quarter-horses. The funds are distributed periodically based on requests from Louisiana Quarterhorse Breeders Association for scheduled race days during active race meetings. The funds are maintained in a separate interest-bearing account and disbursed to the horsemen's bookkeeper for purse distribution.

Louisiana Quarterhorse Breeders Association, Inc. was formed to foster, protect and promote the welfare and interest of individuals and concerns engaged in the breeding of quarter-horses in Louisiana and to secure uniformity and equity in business usages and laws by bringing about programs of economic and educational value to all who engage in the breeding of quarter-horses.

Basis of Accounting

The financial statements of the Video Poker Tax Supplement Fund have been prepared on the accrual basis of accounting.

Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund

Notes to Financial Statements
For the Year Ended December 31, 2013
(continued)

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Video Poker Tax Supplement Fund is classified as temporarily restricted net assets and released from restriction when disbursements are made to race tracks.

Statement of Cash Flows

All highly liquid instruments purchased with a maturity of three months or less are considered to be cash equivalents for purposes of the statement of cash flows.

NOTE B Cash and Cash Equivalents

The Organization deposits all funds received from allocation of the Video Poker Tax Purse Supplement into a money market account at A.G. Edwards and Sons. Dividend income is reported as increases in temporarily restricted net assets in the reporting period in which the income is recognized. The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE C Functional Allocation of Expenses

Administration costs of administering the Video Poker Tax Supplement activity are insignificant and have not been allocated in these financial statements.

NOTE D Restrictions on Net Assets

All restrictions on net assets at the end of 2013 relate to the specific purpose of race track purse supplements as enacted by Louisiana State Act No. 627. Temporarily restricted net assets available for periods after December 31, 2013 are \$ 104950.

NOTE E Future Allocation of Receipts

The anticipated receipt of Video Poker Tax Supplement funds from the Louisiana State Racing Commission subsequent to December 31, 2013 can only be projected and can not be reasonably measured. No amounts have been recorded in the financial statements as a receivable. The Louisiana State Racing Commission operates on a June 30 fiscal year.

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Notes to Financial Statements
For the Year Ended December 31, 2013
(continued)**

NOTE F Race Track and Association Disbursements

Evangeline Downs	\$ 340,769
HBPA Fair Grounds	658,034
OTB	59,264
La. Quarterhorse Assn	25,000
Quarterhorse Racing of La.	<u>25,000</u>
	<u><u>\$ 1,108,067</u></u>

NOTE G Related Party Transactions

La. Quarterhorse Breeders Association, Inc. conducts annual yearling and mixed sales. Some board members participate in these sales on occasions. The transactions between La. Quarterhorse Breeders Association, Inc. and board members are exchanged at an arms-length transaction with no special considerations.

NOTE H Subsequent Events

Management has evaluated subsequent events through February 20, 2014, the date the financial statements were issued. No events required disclosure.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
La. Quarterhorse Breeders Association
Video Poker Tax Supplement Fund
Alexandria, Louisiana

I have audited the financial statements of La. Quarterhorse Breeders Association, Inc.-Video Poker Tax fund as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued my report thereon dated February 20, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Organization's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of La. Quarterhorse Breeders Association, Inc.-Video Poker Tax fund's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La. Quarterhorse Breeders Assn.-Video Poker Tax fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, board of directors, others within the entity, and government entities and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Paul Dauzat
Certified Public Accountant
February 20, 2014

LOUISIANA QUARTERHORSE BREEDERS ASSOCIATION, INC.
VIDEO POKER TAX SUPPLEMENT FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

I have audited the financial statements of the Video Poker Tax Supplement Fund as of and for the year ended December 31, 2013, and have issued my report thereon dated February 20, 2014. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of and for the year ended December 31, 2013 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness

☐ Yes

☒ No

Control Deficiency

☐ Yes

☒ No

Compliance

Non Compliance Material to Financial Statements

☐ Yes

☒ No

Section II - Financial Statement Findings

There were no Financial Statement findings or questioned costs.

LOUISIANA QUARTERHORSE BREEDERS ASSOCIATION, INC.
VIDEO POKER TAX SUPPLEMENT FUND
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

There were not findings or questioned costs reported for the year December 31, 2012.